

Comments on “ Export Experience and the Choice of Invoice Currency: Evidence from Questionnaire Survey for Japanese SMEs”

Jianwei Xu

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Summary

- The paper tries to study of the impact of export experience on the switch of invoice currency.
- The contribution of the study is that it unveils the **dynamic feature** of the invoice currency rather than look at the issue at a certain time. The study links the issue with the exporter's past experience in the local market.
- Comparing to earlier study by Hayakawa et al. (2019), the research adopts the Heckman-Profit estimation and carefully tackles with the sample selection bias in the choice of invoice currency in the first export.

Identification strategy

- **Baseline analysis**: the paper analyzes the impact of experience on switching activities by a cross-sectional analysis.

$$SWITCH_{fd} = \alpha_0 + \alpha_1 Experience_f + \alpha_2 DifferentImp_{fd} + \alpha_3 DifferentProd_{fd} \\ + \alpha_4 \ln(Sales)_f + f_i + f_r + \epsilon_{fd}.$$

- **Further analysis**: In the following set-up, the paper deliberately resolved the sample selection bias through a two-step estimation,
 - Step 1: whether a firm choose PCP initially?

$$y_{PCP} = \pi_{PCP} - \pi_{FCP} = x\beta + u_{PCP}$$

$$\text{where } y_{PCP} = \begin{cases} 1 & \text{if } y_{PCP} > 0 \\ 0 & \text{if } y_{PCP} \leq 0 \end{cases}$$

- Step 2: whether a firm initially chose PCP turned to LCP?

$$y_{SWITCH} = \pi'_{FCP} - \pi'_{PCP} = Z\gamma + u_{SWITCH}$$

$$\text{where } y_{SWITCH} = \begin{cases} 1 & \text{if } y_{SWITCH} > 0 \text{ and } y_{PCP} > 0 \\ 0 & \text{if } y_{SWITCH} \leq 0 \text{ and } y_{PCP} > 0 \end{cases}$$

Comment 1: the definition of *Experience*

- *Experience* is defined as the time gap between the first-export year and the present year.
- However, exporting experience may also be correlated with the survival experience, namely, the time gap between the birth of a company to the present year. In other words, the longer a firm survives, the longer a firm will stay in the exporting market. This is key for the understanding of what “experience” really mean in the paper. For example, in the literature, the latter is also used to proxy a firm’s financial constraint.
- Suggestion: could the authors distinguish the age of a firm and the experience in the export market?

Comment 2: what does the long-term exposure to the local market imply for a firm?

- The paper argues that the experience variable measures the accumulation of the know-how of the operation in the market.
- This is an interesting observation, but readers might be more interested in the breakdown of the underlying factors behind the exporting experience.
- For example, a firm with long-term exposure in the local market may have stronger need to build up investment in the country, which needs local currency.
- It would be more clear if the authors can elaborate more on the underlying meaning of exporting experience.

Comment 3: 2019 as the last year?

- The empirical specification calculates the related variable using 2019 as the last year. However, the choice of 2019 is likely to be a result of data limitation instead of economic choice.
- The issue is that the last year may expose to some uncertain environment which could possibly distort the result.
- The authors may consider using different last years (2014, 2009, etc.) as robustness checks.
- Furthermore, is it possible to use every five/ten years to construct a panel data set for analysis?

Comment 4: DCP versus LCP

- The empirical analysis focuses on the switch from PCP to FCP.
- Is it possible to further distinguish DCP from LCP?
- Moreover, it will be more desirable if the authors can distinguish the firms switching to LCP from that to DCP for the non-USD destinations

Comment 5: Global supply chain

- Due to the nature of global value chain in the modern trade system, a firm may source inputs from different countries before exporting to the other economies.
- This is especially true for certain product which involves more complicated supply chain, i.e., electronic products.
- Given the limited number of sample, the author could choose to classify products into two types: one with higher reliance on GVC and one with less reliance, and then check the validity of the results on the two subsamples respectively.